

STATE OF INDIANA
BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC)	
SERVICE COMPANY FOR APPROVAL OF A)	
STIPULATION AND SETTLEMENT AGREEMENT)	
ESTABLISHING A NATURAL GAS ALTERNATIVE)	4280
REGULATORY PLAN PURSUANT TO I.C. § 8-1-2.5-1,)	CAUSE NO. _____
ET SEQ.)	

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement ("Agreement") is entered into by and between Northern Indiana Public Service Company ("NIPSCO"), the Indiana Office of Utility Consumer Counselor ("OUCC"), The Marketer Group (Vectren Retail LLC (d/b/a Vectren Source), MxEnergy Inc., Stand Energy, Border Energy, Realgy Energy Services, Nordic Energy Services and Utility Resource Solutions) and the Testimonial Staff of the Indiana Utility Regulatory Commission ("Testimonial Staff") (collectively referred to as the "Parties") who stipulate and agree for purposes of settling the issues in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of the issues subject to incorporation into a final Indiana Utility Regulatory Commission ("Commission") order without any modification or condition that is not acceptable to the Parties. On October 16, 2004, the Parties filed a Stipulation and Settlement Agreement ("Settlement Agreement") which extended the terms and conditions of NIPSCO's Gas Alternative Regulatory Plan ("ARP") as approved by the Commission's October 18, 1997 Order in this Cause. The October 16 Settlement Agreement also established a framework for further negotiations regarding a new or modified gas ARP. After a hearing and consideration of the evidence presented, the Commission issued an order on January 26, 2005 approving the October 16 Settlement Agreement, without modification. Paragraph 1 of the Settlement Agreement extended the terms of NIPSCO's ARP until March 31, 2006. Also, the

Parties agreed to continue negotiating the terms of a new or modified ARP until March 31, 2005 and absent a consensus by that date, NIPSCO would file a new ARP by June 1, 2005. By Unopposed Motions dated March 25 and May 2, 2005, NIPSCO, with the support of the Parties, proposed to amend the Settlement Agreement by extending the March 31 and June 1, 2005 dates an additional period of sixty days to May 30 and July 29, 2005, respectively. In the May 2 Unopposed Motion, NIPSCO also proposed, again with the support of the Parties, to amend the Settlement Agreement by extending the March 31, 2006 date to April 30, 2006. By an order issued May 25, 2005, the Commission approved these three amendments to the Settlement Agreement. The Parties respectfully request that, to the extent necessary, the Commission decline jurisdiction under I.C. § 8-1-2.5 in order to approve, without modification, the terms and conditions of this Agreement.

1. NIPSCO's Merchant Function. The Parties agree that certain principles underly this ARP: (a) NIPSCO will continue to be a Supplier of Last Resort absent an Indiana statutory change or an order by the Commission to the contrary, (b) NIPSCO will continue to provide choices to its customers for products and services such as, but not limited to, Price Protection Service ("PPS") and NIPSCO's Fixed Gas Bill Program, and (c) NIPSCO will continue to provide a merchant function through its balanced portfolio based GCA with incentives.

2. Minimization of Allocation of Costs to non-Choice customers. The Parties have agreed upon a methodology to minimize and share the responsibility for the Choice Program related interstate pipeline transportation demand costs that have in prior years been recovered from non-Choice customers in NIPSCO's GCA. Under this methodology, portions of

capacity cost reductions achieved by NIPSCO will be shared monthly with the GCA customers.

The components of this methodology are as follows:

a. Capacity Release. As a component of the pipeline demand cost reduction program, NIPSCO will share the revenues generated by releasing interstate pipeline capacity on a recallable or non-recallable basis in the interstate market on a monthly basis by returning 85% through the GCA mechanism and retaining 15%. Beginning May 1, 2006 and continuing throughout the Term of this Agreement, NIPSCO will guarantee that a minimum of \$2,000,000 in capacity release revenues for each twelve-month period commencing on May 1 of each year will be shared through the GCA mechanism. If the GCA portion of the \$2,000,000 in shared revenues has not been shared by April 30 of each year, starting on April 30, 2007, the difference between the GCA portion of the \$2,000,000 in shared revenues and the actual GCA revenue shared will be credited back beginning in the June monthly GCA filing as a variance.

b. Pipeline Demand Cost Reduction. NIPSCO shall institute an interstate pipeline transportation demand cost reduction program which during each annual period during the term of the Agreement shall act to reduce such costs otherwise recoverable in the GCA determined as follows: The Base Period is defined as the actual 12 months of interstate pipeline transportation demand charges, prior to capacity release, reflected on a monthly basis for the period ending July 31, 2005, which is also capped at the amount of \$47 million, subject to OUCC audit and Commission review and approval. However, in no event shall the Commission review and approval modify the Tiered Surcharges in Paragraph 2(c) that are fixed for the Term of this Agreement applicable to Choice customers. Furthermore, the Choice participation levels in Paragraph 2(c) will not change, for any reason, during the Term of this Agreement. Monthly amounts contained in the Base Period will be used to compute NIPSCO's "Monthly Share" as

described in this Paragraph, the reduction in the interstate pipeline transportation demand charges to be credited to the GCA, and the Tiered Surcharges applicable to Choice customers as described in Paragraph 2c. Each month beginning May 1, 2006, NIPSCO will multiply the applicable Base Period month Gross Pipeline Transportation Demand Dollars by (a) the percentage of the total demand volumes dedicated to Choice customers ("Choice Participation Percentage") which is determined by the ratio of total Choice throughput divided by the total GCA and Choice throughput, and (b) the program percentage for which NIPSCO is responsible ("Percentage Responsibility"). The resulting product, which constitutes NIPSCO's "Monthly Share," will be calculated monthly and credited monthly for GCA purposes. On an annual basis, NIPSCO shall determine the Choice Participation Percentage by developing the ratio of total Choice throughput divided by total GCA and Choice throughput which will be developed through utilization of the prior period actual throughput for the 12 months ending July 31. NIPSCO's Percentage Responsibility, based upon Choice customer volumes, shall be as follows:

<u>Choice Participation</u>	<u>Percentage Responsibility</u>
Less than or equal to 200,000,000 therms	28½%
More than 200,000,000 and less than or equal to 300,000,000 therms	31%
More than 300,000,000 and less than or equal to 400,000,000 therms	36%
Over 400,000,000 therms	40%

The Percentage Responsibility will be reviewed annually for the 12 month period ending July 31 during the Term of this Agreement and, if necessary, could be revised the following November 1 and each November 1 thereafter.

NIPSCO will share with the GCA customers, on a monthly basis, interstate pipeline transportation demand cost reductions based on the "Monthly Share" as follows:

<u>Sharing Methodology Responsibility</u>	<u>Percentage of Sharing to GCA to Customers</u>	<u>Percentage Sharing to NIPSCO</u>
Demand Cost Reductions Up to "Monthly Share"	0%	100%
Demand Costs Reductions in Excess of "Monthly Share" equal to but less than 5x the "Monthly Share"	50%	50%
Demand Cost Reductions Greater than 5x the "Monthly Share"	85%	15%

New interstate pipeline transportation agreements entered into on behalf of NIPSCO's customers to support new pipeline construction projects to satisfy load growth or enhance supply delivery into Northern Indiana shall be excluded from the interstate pipeline transportation demand cost reduction program and will be fully recoverable for GCA purposes as long as they are approved by the Commission under the provisions of NIPSCO's GCA mechanism.

c. Tiered Surcharge to Choice Customers. NIPSCO shall institute Tiered Surcharges applicable to Choice customers generating revenues which will be utilized to reduce interstate pipeline transportation demand costs during each annual period. The Tiered Surcharges for the annual period beginning May 1, 2006 and continuing throughout the Term of this Agreement shall be based on the Base Period interstate pipeline transportation demand charges net of capacity release and shall be fixed as follows:

<u>Choice Participation</u>	<u>Tiered Surcharge - Residential</u>
Less than or equal to 100,000,000 therms	\$0.0193 per therm
More than 100,000,000 and less than or equal to 150,000,000 therms	\$0.0204 per therm
More than 150,000,000 and less than or equal to 200,000,000 therms	\$0.0227 per therm
Over 200,000,000 therms	\$0.0272 per therm
<u>Choice Participation</u>	<u>Tiered Surcharge - General Service</u>
Less than or equal to	

110,000,000 therms	\$0.0199 per therm
Over 110,000,000 therms	\$0.0239 per therm

Subsequent to May 1, 2006, such surcharges will be reviewed and, if necessary, reset on November 1 annually based on Choice participation of residential and general service customer classes for the immediately preceding August 1 through July 31 period. The revenues generated by the Tiered Surcharges will be credited to the monthly GCA. Such surcharges will be contained on Appendix A of NIPSCO's IURC Gas Tariff.

d. NIPSCO's Percentage Responsibility, the Tiered Surcharges and resulting impact on the GCA customers as reflected in Paragraphs 2b and 2c, respectively, represent the following understandings regarding the percentage allocation of pipeline transportation demand cost responsibility for each participating rate class but shall not result in a per unit allocation to Choice customers greater than that allocation described in Paragraph 2(c) above:

	<u>NIPSCO</u>	<u>MARKETER CUSTOMERS</u>	<u>GCA</u>
Less than or equal to 200,000,000 therms	28.5%	42.5%	29%
More than 200,000,000 and less than or equal to 300,000,000 therms	31.0%	45%	24%
More than 300,000,000 and less than or equal to 400,000,000 therms	36%	50%	14%
Over 400,000,000 therms	40%	60%	0%

3. Changes to NIPSCO's ARP. The terms and conditions of NIPSCO's ARP as approved by the Commission's Order of October 18, 1997 in Cause No. 40342 shall remain in full force and effect with the following changes effective May 1, 2006:

a. NIPSCO will implement the procedures contained in Exhibit A hereto addressing fraudulent, deceptive and abusive business practices in its Supplier Aggregation Service ("SAS") agreements.

- b. NIPSCO will implement the Financial and Credit Worthiness Standards and Financial Requirements in its SAS agreements as contained in Exhibit B hereto.
 - c. NIPSCO will implement the Marketer Registration provisions for its SAS agreements as contained in Exhibit C hereto.
 - d. The provisions and parameters of NIPSCO's Gas Cost Incentive Mechanism (GCIM) will be as contained in Exhibit D hereto.
 - e. NIPSCO will implement the SCDS Rate Schedule as contained in Exhibit E hereto.
 - f. NIPSCO will implement the SAS Rate Schedule as contained in Exhibit F hereto.
 - g. The Affiliate Guidelines applicable to NIPSCO will be as contained in Exhibit G hereto.
 - h. Any determination of the need for a Cost of Service Study will be completed within 6 months after the Term of this Agreement.
4. Monthly Gas Cost Adjustment (GCA). NIPSCO agrees to incorporate its monthly GCA mechanism as established under Cause No. 41338 into the framework of this ARP. NIPSCO also agrees to incorporate into this ARP certain principles and protocols as established in Cause No. 41338-GCA5 and detailed in the Stipulation and Settlement Agreement in that cause (GCA5 S&A), regarding the enhanced communication process as outlined in Section 2, the process for filing monthly GCA revisions as outlined in Section 3, the price volatility mitigation parameters as set forth in Section 4, and the provision of the quarterly bill comparisons as outlined in Section 8.

If NIPSCO wishes to extend the effectiveness of its monthly GCA mechanism beyond the Term of this Agreement, it must file for an extension of its monthly GCA mechanism prior to the expiration of this Agreement. The monthly GCA mechanism, as described in the paragraph above, will remain in place until such time the Commission rules on NIPSCO's extension.

5. GCA and GCIM Audit Funding. NIPSCO agrees to pay the OUCC actual audit expenses up to an annual maximum of \$100,000 per year for the time period that begins May 1, 2006 through April 30, 2010 for the sole purpose of conducting a gas cost audit and/or an audit of NIPSCO's monthly GCA/GCIM filings. The retention of an auditor under the provisions of this Paragraph shall be at the sole discretion of the OUCC. The OUCC shall cause the OUCC's audit invoices to be forwarded to NIPSCO. Such audit invoices shall reflect the auditor's hourly rates normally charged the OUCC for audit activity and any reimbursement of reasonable expenses. The OUCC agrees that the invoices shall be submitted at least quarterly and NIPSCO agrees to pay any such invoices within thirty days of receipt. Prior to payment, the OUCC will verify in writing the accuracy of the invoices, including the time spent on the audit, and that the fees incurred are in compliance with the audit scope. The Parties further agree that any findings and documentation by the auditor will be provided only to the OUCC, and such findings or documentation shall be the property of the OUCC, protected by all of the OUCC's applicable privileges and rights to confidentiality. However, the Parties agree that the previous sentence shall not in any way limit NIPSCO's right to discovery under the Commission's General rules of Practice and Procedure and the Indiana Trial Rules.

6. Gas Rate Moratorium. NIPSCO agrees that it will not file a complaint or a petition to change its basic gas rates and charges that has an effective date on or before May 1,

2010. ("Moratorium Period"). The OUCC and all other Signatory Parties agree that they will be prohibited from seeking or petitioning for a Commission review or investigation of NIPSCO's basic gas rates and charges during the Moratorium Period. They are not, however, prohibited from participating in any review of basic rates and charges initiated by the Commission on its own motion or in response to requests from non-parties to this Agreement. The Signatory Parties agree that the provisions of this Paragraph shall not prohibit NIPSCO from filing, during the Moratorium Period, (a) a petition under the ARP statute as set forth at I.C. 8-1-2.5, (b) trackers or similar mechanisms seeking to recover or defer expenses or capital expenditures associated with governmental, economic, and/or system improvement programs, the incurrence of which are primarily beyond NIPSCO's control, (c) gas rate design or rate structure changes that have rate neutrality as a goal, (d) filings to provide eligible customers energy assistance and (e) filings by NIPSCO requesting emergency rate relief. NIPSCO will fully bear the burden of proof to demonstrate the reasonableness of such filings. The Signatory Parties agree that any Signatory Party may oppose the relief requested by NIPSCO in any filing made under the terms of this Paragraph.

7. NIPSCO's Fixed Gas Bill Program (Dependabill). Effective upon the date of Commission approval of this Agreement, NIPSCO agrees to incorporate its Dependabill Program as established under Cause No. 42097 into the framework of this ARP, including the Term provisions, with the following modifications:

- a. Customer would be able to enroll in the program on a continuous basis;
- b. Customer can be enrolled over the phone if they initiated the call, and NIPSCO would continue to be prohibited from telemarketing customers for enrollment; and

c. The cap on program enrollment would increase from 30,000 customers to 45,000 customers.

If NIPSCO's wishes to extend the effectiveness of its Dependabill Program beyond the Term of this Agreement, it must file for extension of its Dependabill Program prior to the expiration of the Term of this Agreement. The Dependabill Program, as described in this Paragraph will remain in place until such time the Commission rules on NIPSCO's extension.

8. Tariff/Bill Conversion and Customer Satisfaction. NIPSCO will include in its IURC gas retail tariff, beginning with its monthly GCA effective May 1, 2006, an Appendix A.3 that lists the Gas Supply, Interstate Pipeline Demand and Delivery Charge Components of each GCA sales service as contained in Exhibit H hereto. NIPSCO has and will provide by the 20th day of the applicable month to the IURC and the OUCC certain statistics and survey results regarding its customer service practices as follows:

a. On a monthly basis, the actual Average Speed of Call Answer, the Call Abandonment Rate, Appointment Punctuality, Gas Emergency Response and Meter Reading, and

b. On a quarterly basis, the results of the transaction based customer satisfaction survey.

9. Transition Rules. The Parties acknowledge the existence of cost allocations considerations among the Company, NIPSCO GCA ratepayers and Choice customers given the current operational parameters of the ARP. Moreover, the Parties agree that the Surcharge to Choice customers in this Settlement Agreement is intended to facilitate Choice during the ARP period via a balanced distribution of a portion of the transportation capacity demand costs for contracts held by the Company in order to reliably serve all its customers and

continue to perform its current role as the supplier of last resort that will be reviewed along with other measures in subsequent periods.

No later than two years prior to the expiration date of this Agreement, the Parties agree to initiate discussions on one, or more, alternative longer term mechanism(s) with the express objective to avoid cost allocations among the Company, NIPSCO GCA ratepayers and Choice customers. These discussions may include any issues regarding a new or modified ARP. The Parties will evaluate the results of the cost allocation methodology agreed to in this Agreement and will openly discuss and analyze measures that will eliminate the necessity of the agreed to cost allocation methodology taking into consideration market dynamics. Such discussions and analyses will include, but not be limited to, various forms of capacity assignment and new transportation tariffs that reduce volumetric requirements for additional customer classes. It is also the express intent of the Parties that to the extent there are agreements amongst the Parties regarding measures that are discussed and analyzed, such measures will be implemented immediately upon the expiration of this Agreement.

10. Effectiveness and Term of Agreement. The October 16, 2004 Settlement Agreement extended the term of NIPSCO's gas ARP until March 31, 2006. The May 25 Order extended the terms of NIPSCO's gas ARP until April 30, 2006. Therefore, assuming Commission approval without modification and unless indicated otherwise herein this Agreement shall become effective on May 1, 2006 and shall remain effective for a four year term until April 30, 2010. However, termination of the effectiveness of this Agreement shall in no way affect the effectiveness of NIPSCO's monthly GCA mechanism as discussed in Paragraph 5, NIPSCO's GCIM as discussed in Paragraph 4e and NIPSCO's PPS and Dependability services as discussed in Paragraphs 7 and 1(b), respectively.

11. External Communications. The Parties agree all public announcements regarding the Agreement will be issued jointly by the OUCC, a representative of the Marketer Group and NIPSCO. All jointly issued public announcements should include a brief description of NIPSCO and the OUCC, their roles and contact information as well as provide a link to the Parties' web pages. NIPSCO and the OUCC may respond individually to questions from the public or media, provided that such responses are consistent with the Agreement.

12. Miscellaneous.

a. This Agreement is not to be deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or any Court of competent jurisdiction. This Agreement is solely the result of compromise in the settlement process and, except as expressly provided herein, is without prejudice to and shall not constitute a waiver of any position that either of the parties may take with respect to any or all of the issues resolved herein in any other future regulatory or other proceedings.

b. If the Agreement is not approved by the Commission, the parties agree that the terms hereof shall be privileged and shall not be admissible in evidence or in any way discussed in any subsequent proceeding. Moreover, the concurrence of the parties with the terms of this Agreement is expressly predicated upon the Commission's approval of the Agreement in its entirety without modification or further condition deemed unacceptable by any party. If the Commission does not approve the Agreement in its entirety, the Agreement shall be null and void and deemed withdrawn, unless otherwise agreed in writing by the parties.

c. The Agreement represents all of the terms and conditions agreed to by the parties. It shall be construed in accordance with its plain meaning. Its terms may not be expanded, varied or interpreted based on supporting testimony, the order approving the

Agreement or any other documents. The Agreement shall be binding upon the parties, successors and assigns.

d. NIPSCO will submit prefiled written testimony at the public hearing related to approval of the Agreement sufficient to support the Commission's finding that the Agreement is in the public's interest.

e. The communications and discussions during the negotiations and conferences which have produced this Agreement shall be conducted on the explicit understanding that they are, or relate to offers of settlement and shall be privileged and confidential, shall be without prejudice to the position of any party, and are not to be used in any manner in connection with any other proceeding or otherwise.

f. Each of the undersigned represents and agrees that she/he is fully authorized to execute the Agreement on behalf of the party identified above her/his respective signature.

ACCEPTED AND AGREED this 13th day of July, 2005.

TESTIMONIAL STAFF OF THE INDIANA
UTILITY REGULATORY COMMISSION

By: _____

INDIANA OFFICE OF UTILITY CONSUMER
COUNSELOR

By: R. Ben C. Hester

NORTHERN INDIANA PUBLIC SERVICE
COMPANY

By: Peter L. Halton /s/

VECTREN RETAIL LLC (d/b/a Vectren Source)

By: Harry Friedman by PLH

MxENERGY INC.

By: _____

STAND ENERGY

By: _____

BORDER ENERGY

By: _____

REALGY ENERGY SERVICES

By: _____

NORDIC ENERGY SERVICES

By: _____

UTILITY RESOURCE SOLUTIONS

By: _____

Privileged & Confidential Attorney Work Product

**Draft
July 8, 2005**

VECTREN RETAIL LLC (d/b/a Vectren Source)

By: _____

MxENERGY INC.

By:  Robert Blake
7/11/05

STAND ENERGY

By: _____

BORDER ENERGY

By: _____

REALGY ENERGY SERVICES

By: _____

NORDIC ENERGY SERVICES

By: _____

UTILITY RESOURCE SOLUTIONS

By: _____

Draft
July 8, 2005

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VECTREN RETAIL LLC (d/b/a Vectren Source)

By: _____

MxENERGY INC.

By: _____

STAND ENERGY

By: _____

BORDER ENERGY

By: *Alvin J. Costello*

REALGY ENERGY SERVICES

By: _____

NORDIC ENERGY SERVICES

By: _____

UTILITY RESOURCE SOLUTIONS

By: _____

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VECTREN RETAIL LLC (d/b/a Vectren Source)

By: _____

MxENERGY INC.

By: _____


STAND ENERGY

By: _____

BORDER ENERGY

By: _____

REALGY ENERGY SERVICES

By:  AUGUST A. BUGINO

NORDIC ENERGY SERVICES

By: _____

UTILITY RESOURCE SOLUTIONS

By: _____

VECTREN RETAIL LLC (d/b/a Vectren Source)

By: _____

MxENERGY INC.

By: _____

STAND ENERGY

By: _____

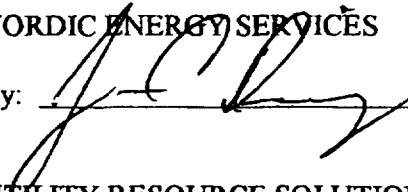
BORDER ENERGY

By: _____

REALGY ENERGY SERVICES

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